NCI 新华保险

新華人壽保險股份有限公司

NEW CHINA LIFE INSURANCE COMPANY LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01336)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHAIRMAN'S STATEMENT

Dear shareholders:

The year 2019 marks the 23rd anniversary of the founding of New China Life. This year witnessed steady economic operation and a more expanded supply-side structural reform in the financial industry in China. This year also saw smooth transition in term of office of the board of directors of the Company (the "**Board**"), and hard-won business performance under the joint efforts of the Board, senior management and all staff.

As China's economy is shifting from high-speed growth to high-quality development, the imbalance and maladjustment between financial supply and demand are becoming increasingly prominent. The insurance industry is facing multiple challenges in development. Standing at the new historical position, the Company will rise to the challenges, seize opportunities and strive to achieve high-quality development goals.

Staying committed to the essence of insurance and maintaining strategic focus. The Company has established the development philosophy of making life insurance as the core business, sticking to the protection function of insurance, returning to the essence of insurance and focusing on core business since its listing. For years, NCI has remained true to its development vision and strived to forge an outstanding financial service group in China devoted to all-round life insurance services. The strategic direction remained unchanged. In 2020, the Company will accelerate business innovation, enrich product supply and improve service quality, empower traditional business through fintech and continuously optimize customers' experience to meet the diversified insurance needs of different groups.

Sticking to the market-oriented mechanism and deepening mechanism reform. During the course of over twenty-year development, NCI has fostered a corporate culture with its own characteristics, featuring the enterprising spirit which makes the Company face the market competition without fear and maintain strong development willingness. In 2020, the Company will follow the rule of enterprise development and stay committed to the market-oriented mechanism to forge a corporate governance mechanism with clear responsibilities and coordinated operation as well as build a corporate operation mechanism with effective incentive and strong restriction to further unleash its development momentum and vitality.

Keeping the bottom line of risk control and building a solid foundation for the Company. Effective risk control is a guarantee and a foundation for sustained development. In 2020, the Company will continue to adopt a prudent and sound operation philosophy to constantly improve comprehensive risk management system and enhance risk management capability. The Company will strengthen the awareness of risk control and compliance to forestall major risk events.

At the beginning of 2020, the sudden outbreak of COVID-19 disrupted the development pace of China's economy and insurance industry. Every NCI staff has done his/her part in the fight against COVID-19. However, the short-term adverse effects will not change the positive long-term trend of China's economy. The public will have personal experience of the importance of health and protection with greater awareness of insurance products after the fierce battle with the virus. The Company will seize the development opportunity, conform to the industry trend, meet the customers' demands, blaze a trail for high-quality development with its own characteristics, contribute value to shareholders and fulfill its social responsibilities.

Chairman
LIU Haoling
25 March 2020

CEO'S STATEMENT

Dear shareholders,

The year 2020 is destined to be an extraordinary year.

At the beginning of the year, COVID-19 unexpectedly swept across the country with rapid pace and strong momentum. The life insurance industry also underwent huge short-term impacts. I kept thinking about the following questions during the pandemic. What must NCI do now and in the future? What is NCI's responsibility? And whether could NCI do better? NCI has relentlessly contributed efforts during this challenging period, including proactively protecting staff from the pandemic, immediately donating insurance to frontline medical personnel in the first place, expanding the coverage of insurance products, simplifying operational process and procedures to provide more convenient services to customers, etc. However, this is far from enough in battling against such an emergency. Life insurance, related to birth, aging, illness and death, shall improve people's resilience to disasters and diseases, manage family assets to cope with emergencies, improve the old-age care, actively respond to the management of national public affairs, and shall be integrated into the national development to shoulder its social responsibility and help citizens keep physical health, family security and feel at ease in emergencies. Only by accelerating scientific development and improving service quality can NCI benefit the society and serve the country.

When I took office with the new management team in 2019, various questions were raised. Why did NCI's development in the past two years diverge from its blueprint? Why did NCI not actively expand its business and service scope as a large-scale life insurance company? Where did the meritorious NCI Iron Army go? NCI seemed like a war horse struggling onwards with great burden. Though it has a highly-experienced professional management team and hundreds of thousands of dedicated agents, the Company still faces a series of issues. Business growth is lower than that of peers, team size fails to expand for years, resources allocation deviates from the market and internal management coordination is insufficient, etc. The intensifying market competition highlights these problems, resulting in the performance which seems to be somewhat "unable to run".

It is not NCI's feature to ignore issues and situation. The pandemic brings us crisis as well as breeds opportunities and hopes. The legacy issues that the Company faces could also be transformed into a source of power to run again should NCI take a more holistic and broader view on future development with commitments.

I. Review 2019

2019 is a year to identify issues.

This year has seen intensifying market competition and NCI was in transition for half a year. In the face of challenges, the new management team conducted intensive research, identified and ravelled out problems and solved the pain points within only tens of days after taking office. The Company held two strategic seminars, revised and issued a series of policies to support sales team, reached consensus from the top down to focus on business development. The key is to make all management personnel at all levels develop a "problem-oriented and efficient" approach of work.

Team development orientation. The Company has established a business strategy of "team expanding before business growth". The organizational development activity "Winning in NCI" was launched last year. The number of sales agent, as a result, hit 500,000, nearly growing by 40% as compared to the same period of last year and accomplishing the development goal that failed to be achieved for many years. The basic law for agents was revised, which greatly improved the retention of new agents and provided adequate agents for business growth in 2020.

Customer demands orientation. Health insurance and annuity insurance have been established as the two wings to fully protect the health and wealth of customers. The Company constantly improved the health insurance products and provided a variety of riders to meet the protection needs of customers. Meanwhile, assets and liabilities were coordinated to meet customers' demands for mid-term and long-term savings and asset allocation.

Management efficiency orientation. Given the market response was not sensitive enough and the management chain was too long, the Company pushed forward the reform of the individual insurance channel, integrated marketing, renewal premiums collection, training and other resources to build a large individual insurance marketing system. The Company set up four sales regions in the east, west, north and south China and enabled each region to make full use of their respective advantages to reduce the management scope of the headquarters and to enhance policy execution and market acumen.

In response to a series of issues hindering NCI's development, the management team has begun to tackle them one by one. The Company has started to improve IT research and development capabilities through cooperation with famous IT companies and optimize the management of existing subsidiaries to promote coordination, etc. But objectively speaking, it is impossible to solve all historical problems at once, and it will take some time.

Through the painstaking efforts of the whole Company, NCI achieved a new breakthrough in its comprehensive strength in 2019. The Company realized gross written premiums of RMB138,131 million, increasing by 13.0% year on year. For the first time, the total assets exceeded RMB800,000 million, and the net profit attributable to shareholders of the Company reached RMB14,559 million, representing a significant increase of 83.8% year on year. In 2019, NCI Iron Army "persevered despite all kinds of hardships" and took the strong first step on the way forward.

II. Focus, Broaden and Change

Point-to-point problem solving is the starting point and even the simplest step for NCI to take off again. Pinpointing the right direction and the right approach and pressing ahead unswervingly are vital to achieve development.

Life insurance has always centered on "focusing" and "broadening" which have been developing harmoniously under the drive of the "revolution" of the times.

"Focus" on the basic function and return to the essence of insurance.

First, persevere with the core function of life insurance. The risk management attribute of life insurance determines that it has stronger ability to cross the cycle. The development of life insurance companies is based on the stable and continuous expansion of risk prevention and long-term saving businesses and the establishment of a sound investment system. Second, respect the operating mechanism of life insurance. Starting from long-term operation and the basic profit model of life insurance business, life insurance companies shall balance business development, cost-effectiveness and capital demand as well as strengthen risk control. Third, deepen the asset and liability management. The huge amount of existing funds and increasing incremental funds in the life insurance industry will test company's investment ability for a long time to come, and the asset liability matching will encounter more prominent difficulties and contradictions. The bilateral integration and benign interaction of assets and liabilities is the key and reflection of capabilities for the operation and management of life insurance. Fourth, stabilize the foundation of business development. "Team, products and services" lay foundations for business operation in the life insurance. Business development largely relies on relatively flexible product strategy, continuously improving service quality and constantly progressive sales team.

"Broaden" the service scope and return to people-oriented.

At present, the insurers interact with customers mainly through underwriting and claim settlement. But the essence of life insurance is people. The individuals and families have rigid and long-term demands for old-age care, health, medical care and wealth management covering the whole life cycle. Besides rigid demands, the growing affluent population still have diversified demands in the areas mentioned above. Life insurance could precisely meet these demands in terms of fund feature, distribution network, product offering, service team, etc. This also represents a very important function extension of life insurance in nowadays, which has returned to people-oriented.

“Change” to adapt to the trend of the times and promote high-quality development.

The first is technological change. New technologies have spawned a large number of new products, tools and even new industries. Data have become the most significant infrastructure for development now and in the future. Technology empowerment has been lifted to the national strategy. How does modern science & technology integrate with traditional insurance? Three aspects are worth pondering from my perspective: take advantage of science & technology in marketing and management as the supporting tools; gradually explore digital brand in response to the digitalizing trend; realize comprehensive operation through digitalizing management of customers.

The second is structural change. On the one hand, the change of customer structure is an important variable. The rising affluent class has more vigorous demands for health protection and wealth management and the growing silver-haired class continues to have more rigid demands for old-age care and health care. Meanwhile, there is a widening protection gap and a more diversified purchasing behavior among the growing young group. On the other hand, the change of team structure is the challenge that we are about to face. Increase the proportion of young agents and the proportion of long-term retained agents, and promote to apply scientific and technological tools are the internal pressures that NCI will face for a long time to come.

The third is competition change. The industry has changed its vision. The industry has seen competition of strategy and resources elevate to competition of situation judgment, strategic focus and management wisdom. As China continues to open up to the outside world, the global sophisticated experience and resources also join the competition. While the life insurance market experiences common development because of existing growth drivers, the competition gap will gradually become too wide to be reversed. There is not much time left for us to foster competitive advantages.

Based on this, NCI has established a “1+2+1” strategy with life insurance business as the main body, wealth management, health and old-age care as the two wings, and technology empowerment as the support. NCI adhered to the essence of life insurance, actively extended the function of life insurance, proactively embraced the changes of the era, maintained the strategic direction unshakable, strengthened the strategy execution and built its core capabilities and unique advantages for the future.

III. Outlook 2020

2020 is a year to forge ahead.

The pandemic has affected the performance of the industry in the short term. For years, the first quarter was the high-performing period of the year for insurance companies. But this year's offline business was almost stagnant and organizational development was difficult due to the pandemic. However, online business has made a breakthrough at the fastest pace and the top-down strain capacity and execution of the life insurance industry have been greatly improved.

The pandemic has changed people's views on life and health. The public will cherish a stable and happy life with greater attention to personal health and hygiene. Just as the pandemic has pushed for an amendment to the wildlife protection law, many bad habits will be discarded and a healthy and civilized China will become a consensus.

The pandemic has changed people's perception of risks. The public's awareness of risks will increase significantly. Especially, the middle class has begun to carefully examine family risk exposure, which is of far-reaching significance to the development of the industry. How to better meet customers' risk prevention needs and offer protection services is worth pondering.

The pandemic has changed people's impression of the insurance industry. People will understand the basic mode of life insurance, understand the logic behind insurance products and the information conveyed by the insurance industry without prejudice.

This pandemic will not change the tide of the golden age of the insurance industry. China is still in an important period of strategic opportunities for development. With the accumulation of wealth and the enhancement of risk awareness of the public, the insurance industry still enjoys broad development space. The insurance industry will play a more vital role in the national strategy.

The pandemic will not change NCI's determination and pace to achieve a second take-off. The key to success often rests upon execution. The fluctuation of short-term performance won't waver in the strategic choice. The Company will "draw a blueprint to the end", and move forward step by step according to the established strategy.

The pandemic will not change NCI's confidence and determination to reach its 2020 business target. Though facing much pressure in reaching the target at this point, the Company will surely accomplish what it set in spite of all hardships. The confidence comes from NCI's branches and sales team who can fight a hard battle, and from NCI's professional management team.

The ice is broken, time waits for no man, and NCI will sail with all strength.

Chief Executive Officer & President
LI Quan
25 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. Major accounting data and financial indicators

Unit: RMB in millions

Key accounting data	**2019**	2018	Change	2017	2016	2015
Total revenues	**172,103**	151,964	13.3%	143,082	144,796	157,918
Gross written premiums and policy fees	**138,171**	122,341	12.9%	109,356	112,648	111,994
Profit before income tax	**13,221**	10,510	25.8%	7,330	6,482	11,782
Net profit attributable to shareholders of the Company	**14,559**	7,922	83.8%	5,383	4,942	8,601
Net cash flows from operating activities	**42,102**	13,768	205.8%	7,865	7,330	7,449

	As at 31 December 2019	As at 31 December 2018	Change	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Total assets	**878,970**	733,929	19.8%	710,275	699,181	660,560
Total liabilities	**794,509**	668,333	18.9%	646,552	640,056	602,719
Equity attributable to shareholders of the Company	**84,451**	65,587	28.8%	63,715	59,118	57,835

Key financial indicators	**2019**	2018	Change	2017	2016	2015
Basic weighted average earnings per share attributable to shareholders of the Company *(RMB)*	**4.67**	2.54	83.9%	1.73	1.58	2.76
Diluted weighted average earnings per share attributable to shareholders of the Company *(RMB)*	**4.67**	2.54	83.9%	1.73	1.58	2.76
Weighted average return on equity attributable to shareholders of the Company	**19.41%**	12.25%	7.16pt	8.76%	8.45%	16.20%
Weighted average net cash flows from operating activities per share *(RMB)*	**13.49**	4.41	205.9%	2.52	2.35	2.39

	As at 31 December 2019	As at 31 December 2018	Change	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Net assets per share attributable to shareholders of the Company *(RMB/share)*	**27.07**	21.02	28.8%	20.42	18.95	18.54

2. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	**2019/ As at 31 December 2019**	2018/ As at 31 December 2018	Change	2017/ As at 31 December 2017	2016/ As at 31 December 2016	2015/ As at 31 December 2015
Investment assets	**839,447**	699,826	20.0%	688,315	679,794	635,688
Total investment yield[1]	**4.9%**	4.6%	0.3pt	5.2%	5.1%	7.5%
Gross written premiums and policy fees	**138,171**	122,341	12.9%	109,356	112,648	111,994
Growth rate of gross written premiums and policy fees	**12.9%**	11.9%	1.0pt	-2.9%	0.6%	1.8%
Benefits, claims and expenses	**158,342**	140,755	12.5%	134,334	137,008	144,814
Surrender rate[2]	**1.8%**	4.8%	-3.0pt	5.2%	6.9%	9.3%

Notes:

1. Total investment yield = (total investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables).

2. Surrender rate = surrenders/(balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + premium income of long-term insurance contracts).

3. The reasons of the change of main financial indicators

Unit: RMB in millions

	2019/ As at 31 December 2019	2018/ As at 31 December 2018	**Change**	**Reason(s) for change**
Total assets	**878,970**	733,929	19.8%	The increase of business scale
Total liabilities	**794,509**	668,333	18.9%	The increase of insurance liabilities
Equity in total	**84,461**	65,596	28.8%	The impact of profit for the period
Net profit attributable to shareholders of the Company	**14,559**	7,922	83.8%	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expense of insurance enterprises and the steady increase in the overall profitability of the Company

4. The discrepancy between the PRC GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2019 or the consolidated equity of the Company as at 31 December 2019 as stated in the financial statements prepared in accordance with the PRC GAAP and the IFRS.

5. The items and reasons for the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance sheet	**As at 31 December 2019**	As at 31 December 2018	**Change**	**Reason(s) for change**
Right-of-use assets	**1,152**	–	N/A	The effect of applying the new lease accounting standard
Financial assets measured at fair value through profit or loss	**24,554**	9,971	146.3%	Increase of allocation of corporate bonds measured at fair value through profit or loss and equity asset management products
Financial assets purchased under agreements to resell	**5,685**	4,318	31.7%	The allocation of investment assets and the requirement of liquidity management
Deferred tax assets	**162**	1,777	-90.9%	Decrease in deductible temporary differences
Cash and cash equivalents	**11,765**	9,005	30.6%	The requirement of liquidity management
Outstanding claims liabilities	**1,611**	1,064	51.4%	Increase of short-term insurance business
Borrowings	**–**	4,000	-100.0%	Redemption of subordinated debt
Lease liabilities	**961**	–	N/A	The effect of applying the new lease accounting standard
Financial liabilities at fair value through profit or loss	**501**	92	444.6%	Increase in the number of structured entities consolidated
Financial assets sold under agreements to repurchase	**68,190**	12,959	426.2%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	**4,181**	1,808	131.3%	The impact of business development pace
Other liabilities	**9,559**	7,242	32.0%	Increase in the employee benefit payables
Current income tax liabilities	**157**	1,252	-87.5%	Decrease in tax payable
Reserves	**41,254**	31,056	32.8%	Increase in fair value of available-for-sale financial assets due to the fluctuation of the capital market

Unit: RMB in millions

Income statement	2019	2018	Change	Reason(s) for change
Claims and net change in outstanding claims liabilities	**(3,440)**	(2,481)	38.7%	Increase of short-term insurance business
Increase in long-term insurance contract liabilities	**(52,816)**	(26,179)	101.7%	Increase of premiums and decrease of surrenders
Income tax expense	**1,339**	(2,587)	N/A	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises
Net profit for the year	**14,560**	7,923	83.8%	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises and the steady increase in the overall profitability of the Company
Total other comprehensive income for the year, net of tax	**6,751**	(4,388)	N/A	Increase in fair value of available-for-sale financial assets due to the fluctuation of the capital market

II. BUSINESS ANALYSIS

i. Insurance business

In 2019, the Company actively adapted to the internal and external development situations under the background of the deepening transformation and development of the insurance industry. Guided by meeting customers' diversified needs for insurance protection, the Company enriched growth drivers for new business and kept advantages of renewal business accumulation to boost the rapid growth of gross written premiums (**GWP**). Embedded value constantly increased. Business structure remained balanced and business quality improved.

First, GWP grew rapidly. In 2019, the Company realized the GWP of RMB138,131 million with the growth rate of 13.0% year on year. The first year premiums from long-term insurance business totaled RMB25,396 million, up by 22.0% year on year. Premiums from renewal business amounted to RMB105,821 million, growing by 10.4% year on year.

Second, embedded value constantly increased. By the end of 2019, the embedded value reached RMB205,043 million, increasing by 18.4% compared with the end of last year. The Company realized the value of one year's new business of RMB9,779 million, decreasing by 19.9% year on year. And the residual margin(1) was RMB214,525 million, increasing by 9.7% compared with the end of last year.

Note:

1. The residual margin is the liabilities appropriated by the Company for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts.

Third, business structure remained balanced. In terms of premium structure, renewal premiums accounted for 76.6% of GWP with a high and stable proportion to ensure the sustained growth of GWP. The first year regular premiums from long-term insurance business accounted for 76.2% of the first year premiums from long-term insurance business, which laid a solid foundation for the sustained growth of renewal premiums. With respect to the structure of type of insurance products, the first year premiums from long-term traditional and participating insurance businesses accounted for 54.2% of the first year premiums from long-term insurance business. And the first year premiums from long-term health insurance business accounted for 45.8% of the first year premiums from long-term insurance business, which is in line with the balanced development strategy for product structure of the Company.

Fourth, business quality improved. 13-month persistency ratio of individual life insurance business was 90.3%, remaining basically flat with that of 2018, and 25-month persistency ratio of individual life insurance business was 86.2%, increasing by 1.3 percentage points compared with the year 2018. The surrender rate dropped to 1.8% in 2019, decreasing by 3.0 percentage points with surrender value down by 60.7% year on year.

Unit: RMB in millions

For the 12 months ended 31 December	**2019**	2018	Change
GWP	**138,131**	122,286	13.0%
First year premiums from long-term insurance business	**25,396**	20,811	22.0%
Single premiums	**6,055**	77	7,763.6%
Regular premiums	**19,341**	20,734	-6.7%
Regular premiums with payment periods of ten years or more	**10,726**	12,603	-14.9%
Renewal premiums	**105,821**	95,860	10.4%
Premiums from short-term insurance business	**6,914**	5,615	23.1%

Note: Numbers may not be additive due to rounding.

1. *Analysis by distribution channels*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Individual insurance channel			
First year premiums from long-term insurance business	**15,196**	16,078	-5.5%
Regular premiums	**15,175**	16,020	-5.3%
Single premiums	**21**	58	-63.8%
Renewal premiums	**88,775**	79,808	11.2%
Premiums from short-term insurance business	**4,479**	3,280	36.6%
Total	**108,450**	99,166	9.4%
Bancassurance channel			
First year premiums from long-term insurance business	**10,194**	4,718	116.1%
Regular premiums	**4,166**	4,714	-11.6%
Single premiums	**6,028**	4	150,600.0%
Renewal premiums	**17,036**	16,043	6.2%
Premiums from short-term insurance business	**56**	32	75.0%
Total	**27,286**	20,793	31.2%
Group insurance			
First year premiums from long-term insurance business	**6**	15	-60.0%
Renewal premiums	**10**	9	11.1%
Premiums from short-term insurance business	**2,379**	2,303	3.3%
Total	**2,395**	2,327	2.9%
GWP	**138,131**	122,286	13.0%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In 2019, the individual insurance channel implemented the product strategy of "health insurance + annuity insurance + riders". The individual insurance channel realized premiums of RMB108,450 million, growing by 9.4% year on year. The first year premiums from long-term insurance business amounted to RMB15,196 million, slightly decreasing by 5.5% compared with the same period of last year. Premiums from short-term insurance business reached RMB4,479 million, representing an increase of 36.6% year on year. Renewal premiums amounted to RMB88,775 million, growing by 11.2% year on year.

In 2019, the Company proposed the business strategy of "team expanding before business growth". Through the implementation of the special organizational development program "Winning in NCI", the Company has seen great expansion in the size of sales team. By the end of 2019, the number of total agents in individual insurance channel reached 507,000, hitting a historic high and growing by 37.0% year on year. The monthly average number of qualified agents(1) was 133,000, increasing by 3.5% year on year and the monthly average qualified rate(2) was 33.1%, decreasing by 5.7 percentage points year on year. The monthly average comprehensive productivity per capita(3) was RMB3,387, decreasing by 22.5% compared with the same period of last year.

Notes:

1. Monthly average number of qualified agents = (Σ number of qualified agents in a month)/the number of months in the reporting period, where monthly number of qualified agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month is equal or greater than RMB800.

2. Monthly average qualified rate = monthly average number of qualified agents/monthly average number of agents * 100%. Monthly average number of agents={∑ [(number of agents at start of the month + number of agents at end of the month)/2]}/the number of months in the reporting period.

3. Monthly average comprehensive productivity per capita = monthly average first year premiums/monthly average number of agents.

4. To better reflect the requirements of high-quality development and the performance of sales team, the Company has adjusted monthly average number of performing agents and monthly average performance rate into monthly average number of qualified agents and monthly average qualified rate since Interim Report 2019.

② Bancassurance channel

In 2019, the bancassurance channel explored the diversified needs of customers to improve product offerings. As a result, the bancassurance channel has witnessed rapid growth of business scale and realized premiums of RMB27,286 million in 2019, increasing by 31.2% year on year. The first year regular premiums from long-term insurance business amounted to RMB4,166 million. Renewal premiums totaled RMB17,036 million, up by 6.2% year on year.

(2) Group insurance

In 2019, premiums from group insurance amounted to RMB2,395 million, increasing by 2.9% year on year. The Company continued to develop policy-oriented health insurance and realized premiums from related health insurance of RMB211 million in 2019. The business covered 5,447 thousand customers.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
GWP	**138,131**	122,286	13.0%
Participating insurance[1]	**51,538**	49,687	3.7%
First year premiums from long-term insurance business	**6,544**	3,045	114.9%
Renewal premiums	**44,994**	46,642	-3.5%
Premiums from short-term insurance business	**–**	–	–
Health insurance	**52,790**	42,571	24.0%
First year premiums from long-term insurance business	**11,638**	12,221	-4.8%
Renewal premiums	**36,509**	26,804	36.2%
Premiums from short-term insurance business	**4,643**	3,546	30.9%
Traditional insurance	**31,602**	28,038	12.7%
First year premiums from long-term insurance business	**7,214**	5,545	30.1%
Renewal premiums	**24,276**	22,373	8.5%
Premiums from short-term insurance business	**112**	120	-6.7%
Accident insurance	**2,159**	1,949	10.8%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**2,159**	1,949	10.8%
Universal insurance[1]	**42**	41	2.4%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**42**	41	2.4%
Premiums from short-term insurance business	**–**	–	–
Unit-linked insurance	**–**	–	–
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**–**	–	–

Notes:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

2. "–" means less than RMB500,000.

In 2019, the Company realized the first year premiums from long-term participating insurance of RMB6,544 million, increasing by 114.9% year on year. The first year premiums from long-term health insurance reached RMB11,638 million, decreasing by 4.8% year on year. The first year premiums from long-term traditional insurance amounted to RMB7,214 million, increasing by 30.1% year on year.

3. Analysis by branches

Unit: RMB in millions

For the 12 months ended 31 December	**2019**	2018	Change
GWP	**138,131**	122,286	13.0%
Shandong Branch	**13,384**	11,617	15.2%
Henan Branch	**11,170**	9,974	12.0%
Beijing Branch	**10,046**	9,451	6.3%
Guangdong Branch	**8,330**	7,707	8.1%
Shaanxi Branch	**6,850**	5,780	18.5%
Zhejiang Branch	**6,790**	5,899	15.1%
Hubei Branch	**6,757**	6,267	7.8%
Jiangsu Branch	**6,240**	5,422	15.1%
Inner Mongolia Branch	**5,958**	5,370	10.9%
Hunan Branch	**5,265**	4,715	11.7%
Other Branches	**57,341**	50,084	14.5%

As of the end of 2019, the Company has established 35 provincial branches across the country. In 2019, around 58.5% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Henan and Beijing.

4. ***The top 5 insurance products in terms of gross written premiums and first year premiums***

Unit: RMB in millions

Rank	Product name	Gross written premiums	Main distribution channel	Surrender value
1	Huitianfu annuity insurance 惠添富年金保險	8,142	Bancassurance channel	165
2	FuxiangYisheng Whole Life annuity insurance (Participating) 福享一生終身年金保險（分紅型）	7,912	Individual insurance channel	1,014
3	Jiankangwuyou Type C critical illness insurance 健康無憂C款重大疾病保險	7,121	Individual insurance channel	136
4	Multiple Protection critical illness insurance 多倍保障重大疾病保險	6,551	Individual insurance channel	23
5	Wendeying endownment insurance (Participating) 穩得盈兩全保險（分紅型）	6,014	Bancassurance channel	4

Unit: RMB in millions

Rank	Product name	First year premiums
1	Wendeying endownment insurance (Participating) 穩得盈兩全保險（分紅型）	6,014
2	Huitianfu annuity insurance 惠添富年金保險	5,969
3	Multiple Protection critical illness insurance 多倍保障重大疾病保險	2,508
4	Jiankangwuyou Type C1 critical illness insurance 健康無憂重大疾病保險C1款	1,468
5	Jiankangwuyou critical illness insurance (Upgraded Version) 健康無憂重大疾病保險（尊享版）	1,062

5. Business quality

For the 12 months ended 31 December	**2019**	2018	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio(1)	**90.3%**	90.7%	-0.4pt
25-month persistency ratio(2)	**86.2%**	84.9%	1.3pt

Notes:

1. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

2. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

3. This announcement does not disclose data on market share because such data are not disclosed by the regulatory authority.

6. Analysis on claims and the interests of policyholders

Unit: RMB in millions

For the 12 months ended 31 December	**2019**	2018	Change
Surrender value	**12,990**	33,039	-60.7%
Insurance benefits and claims	**60,648**	51,135	18.6%
Claims	**3,079**	2,334	31.9%
Annuity benefits	**9,500**	9,865	-3.7%
Maturity and survival benefits	**41,344**	33,885	22.0%
Casualty and medical benefits	**6,725**	5,051	33.1%
Claims recoverable	**(1,045)**	(754)	38.6%
Policy dividend	**42**	126	-66.7%
Net change in insurance contract liabilities	**53,335**	26,422	101.9%
Total	**125,970**	109,968	14.6%

The surrender value decreased by 60.7% year on year mainly due to the decrease of the surrender of short and medium term insurance products in bancassurance channel as a result of business transformation of the Company.

The claim payment increased by 31.9% year on year mainly due to the steady rise of the accident insurance and short-term health insurance business.

Casualty and medical benefits increased by 33.1% year on year mainly due to the continued growth of long-term health insurance business.

Net change in insurance contract liabilities increased by 101.9% year on year mainly due to the increase of premiums and decrease of surrenders.

7. *Analysis on commission and brokerage expense*

Unit: RMB in millions

For the 12 months ended 31 December	2019	2018	Change
Commission and brokerage expense(1)	**16,871**	16,708	1.0%
Participating insurance(2)	**934**	1,816	-48.6%
Health insurance	**13,893**	13,111	6.0%
Traditional insurance	**1,309**	1,143	14.5%
Accident insurance	**735**	637	15.4%
Universal insurance(2)	**–**	1	-100.0%

Notes:

1. This item does not include the commission and brokerage expense under non-insurance contracts.

2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In 2019, the commission and brokerage expense increased slightly compared with the same period of last year.

8. Analysis on insurance contract liabilities

Unit: RMB in millions

Component	As at 31 December 2019	As at 31 December 2018	Change
Unearned premiums liabilities	**2,102**	1,805	16.5%
Outstanding claims liabilities	**1,611**	1,064	51.4%
Life insurance liabilities	**567,985**	527,494	7.7%
Long-term health insurance liabilities	**86,493**	64,257	34.6%
Insurance contract liabilities in total	**658,191**	594,620	10.7%
Participating insurance[(1)]	**481,522**	463,222	4.0%
Health insurance	**73,287**	51,693	41.8%
Traditional insurance	**102,259**	78,743	29.9%
Accident insurance	**1,068**	917	16.5%
Universal insurance[(1)]	**55**	45	22.2%
Insurance contract liabilities in total	**658,191**	594,620	10.7%

Note:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

The insurance contract liabilities at the end of 2019 increased by 10.7% compared with the end of 2018 due to the increase of insurance business and the accumulation of insurance liabilities. As at the date of the balance sheet, all types of contract liabilities of the Company have passed the adequacy test.

ii. Asset management business

In 2019, China's economy still saw downward trend and rising pressure for stable growth. In accordance with the liability feature of insurance business and macroeconomy cycle, the Company stayed committed to long-term, value-oriented and prudent investment, emphasized on both investment return and risk control and actively seized the market opportunities in asset management business. The Company achieved stable and satisfactory investment return.

In 2019, the total investment yield was 4.9% and the net investment yield was 4.8%.

The debt financial assets amounted to RMB550,539 million, accounting for 65.6% of total investment assets, remaining flat compared with the end of last year. In 2019, insurance funds faced great investment pressure because of the decreasing interest rates and high credit risks. The Company stressed on risk prevention, intensified risk screening of the assets held and strictly controlled the risk of newly-added assets. Through seizing opportunities in the bond market, the Company strategically invested in long-duration treasury bonds and local government bonds so as to optimize the asset liability matching. Meanwhile, the Company actively invested in high-quality financial products to effectively improve the overall investment return on the premise of controllable risks.

The equity financial assets amounted to RMB156,957 million, accounting for 18.7% of total investment assets, increasing by 2.1 percentage points compared with the end of last year. The stock market was still volatile in 2019 with obvious structural opportunities. The Company adhered to value-oriented and prudent investment philosophy in equity investment and pursued absolute return with high Sharpe ratio and low drawdown. With respect to stock investment, the Company focused on the targets with stable fundamental development and steady performance growth, selected targets from the bottom up, actively sought the structural opportunities and took advantage of undervalued assets in the Hong Kong stock market. In terms of fund investment, the Company employed both value-oriented investment and band operation, actively seized investment opportunities, selected value-stock fund with low valuation, high dividend and low volatility, and carried out swing trading through wide-base index and industry fund to pursue absolute return.

Meanwhile, the Company strengthened research on domestic and overseas equity investment and domestic real estate investment, prudently made relevant investment to explore investment portfolio diversification.

1. Investment portfolio

Unit: RMB in millions

As at 31 December	**2019** Amount	**2019** Proportion	2018 Amount	2018 Proportion	Change
Investment assets	**839,447**	**100.0%**	699,826	100.0%	20.0%
Classified by investment type					
Term deposits[1]	**64,040**	**7.6%**	64,690	9.2%	-1.0%
Debt financial assets	**550,539**	**65.6%**	459,902	65.7%	19.7%
– Bonds	**358,062**	**42.7%**	275,213	39.3%	30.1%
– Trust products	**77,266**	**9.2%**	66,281	9.5%	16.6%
– Debt plans[2]	**38,934**	**4.6%**	39,109	5.6%	-0.4%
– Asset funding plans	**10,000**	**1.2%**	10,000	1.4%	–
– Others[3]	**66,277**	**7.9%**	69,299	9.9%	-4.4%
Equity financial assets	**156,957**	**18.7%**	116,058	16.6%	35.2%
– Funds	**46,389**	**5.5%**	42,298	6.1%	9.7%
– Stocks[4]	**55,805**	**6.6%**	32,243	4.6%	73.1%
– Others[5]	**54,763**	**6.6%**	41,517	5.9%	31.9%
Investments in associates and joint ventures	**4,917**	**0.6%**	4,792	0.7%	2.6%
Cash and cash equivalents[1]	**11,765**	**1.4%**	9,005	1.3%	30.6%
Other investment assets[6]	**51,229**	**6.1%**	45,379	6.5%	12.9%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**24,554**	**2.9%**	9,971	1.4%	146.3%
Available-for-sale financial assets	**387,296**	**46.2%**	300,949	43.0%	28.7%
Held-to-maturity investments	**246,212**	**29.3%**	214,531	30.7%	14.8%
Loans and other receivables[7]	**176,468**	**21.0%**	169,583	24.2%	4.1%
Investment in associates and joint ventures	**4,917**	**0.6%**	4,792	0.7%	2.6%

Notes:

1. Term deposits exclude those with maturity of three months or less, while cash and cash equivalents include term deposits with maturity of three months or less.

2. Debt plans mainly consist of infrastructure and real estate funding projects.

3. Others include perpetual bonds classified as debts, debt asset management products and wealth management products.

4. Stocks include common stocks and preferred stocks.

5. Others include equity asset management products, private equity, equity plans, unlisted equity investments, perpetual bonds, derivative financial assets, etc.

6. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable and interests receivable, etc.

7. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable, interests receivable, loans and receivables, etc.

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	**2019**	2018	Change
Interest income from cash and cash equivalents	**98**	138	-29.0%
Interest income from term deposits	**3,157**	2,613	20.8%
Interest income from debt financial assets	**24,911**	23,856	4.4%
Dividend income from equity financial assets	**5,602**	6,235	-10.2%
Interest income from other investment assets(1)	**1,686**	1,486	13.5%
Net investment income(2)	**35,454**	34,328	3.3%
Realized gains/(losses) on investment assets	**(227)**	(932)	-75.6%
Unrealized gains/(losses)	**2,647**	(379)	N/A
Impairment losses on financial assets	**(2,032)**	(1,835)	10.7%
Share of results of associates and joint ventures	**502**	404	24.3%
Total investment income(3)	**36,344**	31,586	15.1%
Net investment yield(4)	**4.8%**	5.0%	-0.2pt
Total investment yield(4)	**4.9%**	4.6%	0.3pt

Notes:

1. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell, etc.

2. Net investment income includes interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets and dividend income from equity financial assets.

3. Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates and joint ventures under equity method.

4. Investment yield = (investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables).

3. Investment in non-standard assets

As of the end of 2019, the non-standard assets amounted to RMB246,594 million, accounting for 29.4% of the total investment assets, decreasing by 2.9 percentage points compared with the end of last year. In 2019, the Company invested in collective fund trust plans and real estate investment plan with eligible return and controllable risks, which improved the overall investment yield of the assets. Around 80% of the existing non-standard assets were invested in industries including financial institutions, real estate, infrastructure, general industrial and commercial enterprises, etc. The non-standard assets that the Company held have good credit enhancement measures. In addition to financing entities that regulatory authorities eliminate credit enhancement requirements, most non-standard assets are taken following credit enhancement measures, such as mortgage and pledge, joint guarantee, general guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, therefore the overall credit risks of the non-standard assets are within control.

(1) Ratings

Excluding wealth management products issued by commercial banks, equity financial products and portfolio products issued by insurance asset management company not requiring external ratings, the non-standard assets held by the Company with AAA ratings accounted for 94.8% of the total non-standard assets. The overall credit risk was limited.

Ratings of Financial Products

Credit Rating	**Proportion**
AAA	94.8%
AA+	5.2%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB in millions

As at 31 December 2019	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	192,477	78.1%	-3.6pt	7,788
– Trust products	77,266	31.3%	2.0pt	10,985
– Debt plan	38,934	15.8%	-1.5pt	(175)
– Project asset support plan	10,000	4.1%	-0.3pt	–
– Wealth management product	61,232	24.9%	-3.6pt	(3,067)
– Perpetual Bond	5,000	2.0%	-0.2pt	–
– Asset management plan	45	–	–	45
Non-standard equity investments	54,117	21.9%	3.6pt	12,725
– Asset management plan	22,325	9.0%	3.0pt	8,757
– Private equity	7,054	2.9%	1.0pt	2,611
– Unlisted equity	18,664	7.5%	-0.7pt	99
– Equity investment plan	4,700	1.9%	-0.2pt	–
– Derivative financial assets	1,374	0.6%	0.6pt	1,374
– Wealth management product	–	–	-0.1pt	(116)
Total	246,594	100.0%		20,513

(3) Major management institutions

Unit: RMB in millions

Top 10 management institutions of financial products	**Paid Amount**	**Proportion**
New China Asset Management Co., Ltd.	36,099	14.6%
Shanghai Pudong Development Bank Co., Ltd.	34,980	14.2%
Industrial Bank Co., Ltd.	16,498	6.7%
Zhongrong International Trust Co., Ltd.	14,543	5.9%
Huaneng Guicheng Trust Co., Ltd.	14,013	5.7%
CITIC Trust Co., Ltd.	10,363	4.2%
Beijing International Trust Co., Ltd.	8,704	3.5%
Generali China Asset Management Co., Ltd.	6,465	2.6%
China CITIC Bank Corporation Limited	5,500	2.2%
PICC Capital Investment Management Company Limited	5,070	2.1%
Total	152,235	61.7%

III. ANALYSIS BY COMPONENT

i. Solvency

New China Life Insurance Company Ltd. calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. Solvency margin ratios of a domestic insurance company in PRC must meet the prescribed thresholds as required by CBIRC.

Unit: RMB in millions

	As at 31 December 2019	As at 31 December 2018	Reason(s) for Change
Core capital	**261,164**	221,299	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**261,164**	225,299	Reasons of core capital and the redemption of subordinated term debt
Minimum capital	**92,077**	82,072	Growth and structural change of insurance and investment business
Core solvency margin ratio[1]	**283.64%**	269.64%	
Comprehensive solvency margin ratio[1]	**283.64%**	274.51%	

Note:

1. Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

ii. Liquidity

1) Gearing Ratio

	As at 31 December 2019	As at 31 December 2018
Gearing ratio	**90.4%**	91.1%

2) Liquidity

Unit: RMB in millions

For the 12 months ended 31 December	**2019**	2018	Change
Net cash flows from operating activities	**42,102**	13,768	205.8%
Net cash flows from investing activities	**(85,636)**	(3,246)	2,538.2%
Net cash flows from financing activities	**46,263**	(10,443)	N/A

The net inflow from operating activities increased by 205.8% year on year, mainly due to the increase of premiums of insurance contracts.

The net outflow from investing activities increased by 2,538.2% year on year, mainly due to the increase of cash paid for investment.

The net cashflow from financing activities has turned from net outflow to net inflow, mainly due to the increase of cash received from financial assets sold under agreements to repurchase.

3) Source and use of liquidity

The principal cash inflows of the Company are comprised of insurance premiums, income from investment contracts, proceeds from sales and maturity of investment assets and investment income. The liquidity risks with respect to these cash inflows primarily arise from surrenders of contract holders and policyholders, defaults by debtors, as well as the fluctuation of interest rate and other market fluctuations. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provided liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB11,765 million. The term deposits of the Company amounted to RMB64,040 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. Moreover, the investment portfolio of the Company also provided liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB550,539 million, and the book value of equity financial assets amounted to RMB156,957 million.

The principal cash outflows of the Company are comprised of the liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, the distribution of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from the insurance activities primarily relate to benefits payments of insurance products, as well as payments for policy surrenders, policy loans.

The Company believes that its sources of liquidity are sufficient to meet its current cash requirements.

iii. Reinsurance

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd. Beijing Branch and China Life Reinsurance Company Ltd., etc.

Unit: RMB in millions

Premiums ceded out	**2019**	2018
Swiss Reinsurance Company Ltd. Beijing Branch	**1,392**	1,093
China Life Reinsurance Company Ltd.	**643**	571
Others(1)	**392**	268
Total	**2,427**	1,932

Note:

1. Others primarily included General Reinsurance AG Shanghai Branch, SCOR SE Beijing Branch, Hannover Rückversicherung AG Shanghai Branch, and Munich Reinsurance Company Beijing Branch and etc.

IV. FUTURE PROSPECT

The outbreak of COVID-19 at the beginning of 2020 brings huge impacts on people's life, production and economic development. But China's economy keeps positive trend in the long term and the life insurance industry maintains its determination to achieve high-quality development. The COVID-19 both increases the public's demands for insurance protection and accelerates the transformation and upgrading of the life insurance industry. The Company proactively changes the business model and explores the combination of online and offline operation to meet the customers' needs for risk prevention to the greatest extent.

In 2020, the Company will, in accordance with the established strategy, resolutely implement the Central Committee's general requirements of "keeping the original intention, bearing the mission, identifying deficiency and sticking to implementation", strengthen the supply-side structural reform, continue to return to the essence of insurance to accelerate high-quality development. The main measures are as follows:

First, the Company will strengthen the Party building and Party leadership. Through the in-depth study and implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will fully implement the general requirements for Party building in the new era and Party's organizational line, strengthen the Party's centralized and unified leadership, and ensure that the Party's principles and policies are carried out throughout the Company's future development.

Second, the Company will keep market benchmarking to strengthen life insurance business. The Company will enhance the awareness of market benchmarking. The Company will refine management from all perspectives, including the building of professional sales team, team development, customer management, policy guarantees, operating support, IT application and industrial synergy to boost the growth of volume and value, and constantly enhance its comprehensive strength.

Third, the Company will enrich the product offerings to meet customers' demands. Centering on customers' demands, the Company constantly enriches product offerings covering the customers' whole life of "birth, aging, illness, death and disability". Focusing on meeting customers' needs for old-age care, health care and long-term saving, NCI intends to meet the diversified and differentiated needs of different customers in different regions and through extensive channels.

Fourth, the Company will strengthen industrial synergy to build a service ecosystem. Combining wealth management, health care and old-age care, the Company extends the coverage of insurance products, builds the concept of "products + services" to offer comprehensive solutions for customers. The Company will also widen investment channels and improve investment management to make assets boost liabilities growth.

Fifth, the Company will speed up the application of science and technology and put in place technology empowerment. The Company lifts the position of technology empowerment to the Company's strategy, continues to promote the transformation from "offline services" to "online and offline integration services", from "insurance-policy management" to "customer management". NCI will improve product innovation, management and marketing via big data, cloud computing, AI and other technologies.

Sixth, the Company will adhere to compliant operation and keep the bottom line of risk control. The Company continuously pays attention to the risks in key areas, strengthens the awareness of proactive prevention and control, makes internal control measures penetrate into all aspects of business operation. NCI will accelerate the building of smart risk control system to keep the risk alert highly sensitive.

EMBEDDED VALUE

1. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year's new business as at 31 December 2019, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of one year's new business is 11.5% p.a.

(2) Investment Returns

The table below shows investment return assumptions for the main funds to calculate VIF and the Value of One Year's New Business.

	2020	2021	2022	**2023+**
Non-participating	4.50%	4.60%	4.80%	**5.00%**
Participating	4.50%	4.60%	4.80%	**5.00%**
Universal life	4.50%	4.70%	5.00%	**5.10%**
Unit-linked	7.60%	7.60%	7.80%	**7.90%**

Note: Investment return assumptions are applied to calendar year.

In addition, the Company has set up a specific participating fund to solely manage new product "NCI Wendeying Endowment Insurance (Participating)" in October 2019. As for the specific participating fund and the new non-participating fund which was previously set up, the expected investment returns are different from those of the above funds, and 6.00% p.a. flat rate of return is adopted.

(3) Mortality

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2010 to 2013)".

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience, and taking into consideration future morbidity deterioration trend. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2006 to 2010)".

(5) Discontinuance Rates

Assumptions have been developed based on the Company's past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

(6) Expenses

Unit cost assumptions have been developed based on the Company's past actual expense experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) Commission and Handling fees

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

(8) Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CBIRC is to be held by the Company in the calculation of the value of in-force business and the value of one year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

(11) Other Assumptions

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

2. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2019 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	**31 December 2019**	31 December 2018
Adjusted Net Worth	**122,924**	98,892
Value of In-Force Business Before Cost of Required Capital Held	**102,908**	93,183
Cost of Required Capital Held	**(20,789)**	(18,924)
Value of In-Force Business After Cost of Required Capital Held	**82,119**	74,259
Embedded Value	**205,043**	173,151

Notes:

1. Numbers may not be additive due to rounding.

2. The impact of major reinsurance contracts has been reflected in the embedded value.

Unit: RMB in millions

Valuation Date	**31 December 2019**	31 December 2018
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Required Capital Held	**11,921**	14,216
Cost of Required Capital Held	**(2,142)**	(2,006)
Value of One Year's New Business After Cost of Required Capital Held	**9,779**	12,210

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2019 and 31 December 2018 were RMB32,300 million and RMB25,467 million respectively.

3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

Unit: RMB in millions

Valuation Date	**31 December 2019**	31 December 2018
Value of One Year's New Business by Channel		
Individual insurance channel	**9,692**	11,725
Bancassurance channel	**291**	579
Group insurance channel	**(204)**	(94)
Total	**9,779**	12,210

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2019 and 31 December 2018 were RMB32,300 million and RMB25,467 million respectively.

3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

3. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2018 to 31 December 2019, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2018 to 31 December 2019 at a Risk Discount Rate of 11.5%

1.	**EV at the beginning of period**	173,151
2.	Impact of Value of New Business	9,779
3.	Expected Return	15,996
4.	Operating Experience Variances	1,531
5.	Economic Experience Variances	8,266
6.	Operating Assumption Changes	(3,227)
7.	Economic Assumption Changes	(1,212)
8.	Capital Injection/Shareholder Dividend Payment	(2,402)
9.	Others	2,038
10.	Value Change Other Than Life Insurance Business	1,122
11.	**EV at the end of period**	205,043

Note: Numbers may not be additive due to rounding.

Items 2 to 10 are explained below:

2. Value of new business as measured at the point of issuing.

3. Expected return on adjusted net worth and value of in-force business during the relevant period.

4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates, expenses, taxes and etc.) and the assumed at the beginning of the period.

5. Reflects the difference between actual and expected investment returns and market value adjustment in the period.

6. Reflects the change in operating assumptions between valuation dates.

7. Reflects the change in economic assumptions between valuation dates.

8. Capital injection and other dividend payment to shareholders.

9. Other miscellaneous items, including one-off impact to tax on application of "Announcement on Policies Regarding the Pre-tax Deduction of Underwriting and Policy Acquisition Costs Incurred by Insurance Enterprises" released in May 2019.

10. Value change other than those arising from the life insurance business.

4. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarized below.

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2019	**VIF after Cost of Required Capital Held**	**the Value of One year's New Business after Cost of Required Capital Held**
Scenarios		
Base Scenario	82,119	9,779
Risk Discount Rate at 12.0%	78,374	9,328
Risk Discount Rate at 11.0%	86,108	10,259
Investment Return 50bps higher	97,654	11,138
Investment Return 50bps lower	66,520	8,414
Expenses 10% higher (110% of Base)	80,587	8,657
Expenses 10% lower (90% of Base)	83,651	10,901
Discontinuance Rates 10% higher (110% of Base)	81,056	9,253
Discontinuance Rates 10% lower (90% of Base)	83,182	10,315
Mortality 10% higher (110% of Base)	81,333	9,686
Mortality 10% lower (90% of Base)	82,907	9,872
Morbidity and Loss Ratio 10% higher (110% of Base)	78,733	8,890
Morbidity and Loss Ratio 10% lower (90% of Base)	85,508	10,663
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	77,261	9,741

CORPORATE GOVERNANCE

The Board of the Company is responsible for fulfilling the corporate governance responsibilities as set out in the terms of reference of Article D.3.1 of the Corporate Governance Code. The directors of the Company are not aware of any information that would reasonably indicate that the Company has not complied with the applicable code provisions as set out in the Corporate Governance Code at any time during the period from 1 January 2019 to 31 December 2019, except for below situations.

Mr. LI Quan's qualification of the director of the Company was ratified by the CBIRC Beijing Bureau on 11 November 2019 with the term of office from the date of ratification to the expiration of the seventh session of the Board. After Mr. LI Quan assumed the post of the director of the Company, the seventh session of the Board consisted of 13 directors, 4 of them are independent non-executive directors, the number of the independent non-executive directors of the Company is less than the minimum number required by the Rule 3.10A of the Listing Rules.

Mr. Edouard SCHMID's qualification of the director of the Company was ratified by the CBIRC Beijing Bureau on 14 November 2019 with the term of office from the date of ratification to the expiration of the seventh session of the Board. After Mr. Edouard SCHMID assumed the post of the director of the Company, the seventh session of the Board consisted of 14 directors, 4 of them are independent non-executive directors, the number of the independent non-executive directors of the Company has been less than the minimum number required by the Rule 3.10A of the Listing Rules. At the same time, the Nomination and Remuneration Committee of the seventh session of the Board consisted of 6 directors, 3 of them are independent non-executive directors, which is not in line with the requirement that most of members of such Committee shall be independent non-executive directors under the Rule 3.25 and code provision A.5.1 of Appendix 14 of the Listing Rules.

Mr. MA Yiu Tim's qualification of the independent non-executive director of the Company was ratified by the CBIRC Beijing Bureau on 3 December 2019 with the term of office from the date of ratification to the expiration of the seventh session of the Board. After Mr. MA Yiu Tim became the independent non-executive director of the Company, the seventh session of the Board consisted of 15 directors, 5 of them are independent non-executive directors, the number of the independent non-executive directors of the Company has been in line with the minimum number required by the Rule 3.10A of the Listing Rules. Meanwhile, the Nomination and Remuneration Committee of the seventh session of the Board consisted of 7 directors, 4 of them are independent non-executive directors, which is in line with the requirement that most of members of such Committee shall be independent non-executive directors under the Rule 3.25 and code provision A.5.1 of Appendix 14 of the Listing Rules.

The Company established the executive committee regime and the position of chief executive officer in February 2013. Meanwhile, the Company has set up an Executive Committee and functional subcommittees, the duties of which have been clearly defined in the Articles of Association and related terms of reference. Major events of the Company have been subject to complete consideration and decision-making procedures. All the above has guaranteed that chairman and chief executive officer performed duties efficiently and diligently.

From 1 January to 15 January 2019, Mr. WAN Feng worked as both the chairman and chief executive officer of the Company. The Board was of the view that the roles of chairman and chief executive officer being performed by the same individual was consistent with the management mechanism of the Company at that time. The Board of the Company received Mr. WAN Feng's resignation letter on 16 January 2019. Due to his age, Mr. WAN Feng resigned as the chairman of the Board, an executive director, chief executive officer and all other positions of the Company, effective from 16 January 2019. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. LI Zongjian was elected to work as the acting chairman of the Board until the new chairman is elected by the Board of the Company. The Board designated Mr. YANG Zheng to perform the duties of the chief executive officer and chairman of Executive Committee of the Company until the appointment of the new chief executive officer.

On 27 June 2019, the 36th meeting of the sixth session of the Board agreed to appoint Mr. LI Quan as the chief executive officer and the president of the Company. Meanwhile, from the date of the resolution of the Board until his qualification was approved by regulatory authorities, Mr. LI Quan was designated to be the temporary responsible person of the Company and presided over daily operation and management of the Company. Mr. YANG Zheng no longer performed the duties of the chief executive officer and the chairman of the Executive Committee of the Company. On 7 August 2019, Mr. LI Quan's qualification was approved by CBIRC. The term of office of Mr. LI Quan as the chief executive officer and the president of the Company commenced from 7 August 2019.

On 6 August 2019, the first meeting of the seventh session of the Board elected Mr. LIU Haoling as the chairman of the seventh session of the Board and elected Mr. LI Zongjian to perform the duties of the chairman, with a term commencing from the date of resolution of the Board and ending on the date of approval of the qualification of Mr. LIU Haoling as the chairman. On 11 September 2019, Mr. LIU Haoling's qualification as chairman was approved by CBIRC with a term commencing from 11 September 2019 and ending on the expiration of the seventh session of the Board.

ANNUAL GENERAL MEETING

The specific arrangements of the annual general meeting will be separately disclosed in the circular for annual general meeting.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

RECOMMENDATION OF DISTRIBUTION OF 2019 ANNUAL DIVIDEND

The Company plans to distribute an annual dividend of RMB1.41 (including tax) per share to all the A shareholders and H shareholders of the Company for 2019, totaling approximately RMB4,399 million, representing approximately 30.2% of the net profit attributable to shareholders of the Company as contained in the 2019 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the Articles of Association of the Company.

The aforementioned recommendation will be proposed to the shareholders for consideration and approval on the Annual General Meeting of 2019. The Company expects that 2019 annual dividend will be distributed on Friday, 7 August 2020 to all the H Shareholders.

ANNUAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED

For the year ended 31 December 2019

Unit: RMB in millions

	Notes	**For the year ended 31 December 2019**	2018
REVENUES			
Gross written premiums and policy fees	*1*	**138,171**	122,341
Less: premiums ceded out		**(2,427)**	(1,932)
Net written premiums and policy fees		**135,744**	120,409
Net change in unearned premiums liabilities		**(301)**	(407)
Net premiums earned and policy fees		**135,443**	120,002
Investment income	*2*	**35,842**	31,185
Other income	*3*	**818**	777
Total revenues		**172,103**	151,964
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims	*4*		
Claims and net change in outstanding claims liabilities		**(3,440)**	(2,481)
Life insurance death and other benefits		**(69,672)**	(81,182)
Increase in long-term insurance contract liabilities		**(52,816)**	(26,179)
Policyholder dividends resulting from participating in profits		**(42)**	(126)
Investment contract benefits		**(1,736)**	(1,544)
Commission and brokerage expenses		**(16,872)**	(16,711)
Administrative expenses	*5*	**(13,037)**	(11,968)
Other expenses	*6*	**(727)**	(564)
Total benefits, claims and expenses		**(158,342)**	(140,755)

Note: The Group in this section includes New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)

For the year ended 31 December 2019

Unit: RMB in millions

	Notes	**For the year ended 31 December 2019**	2018
Share of profits and losses of associates and joint ventures		**502**	404
Finance costs	*7*	**(1,042)**	(1,103)
Profit before income tax		**13,221**	10,510
Income tax credit/(expense)	*8*	**1,339**	(2,587)
Net profit for the year		**14,560**	7,923
Net profit for the year attributable to:			
– Owners of the parent	*9*	**14,559**	7,922
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	*10*	**4.67**	2.54
Diluted	*10*	**4.67**	2.54

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)
For the year ended 31 December 2019

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Net profit for the year	**14,560**	7,923
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Changes in fair value	**16,357**	(16,635)
Losses transferred to profit or loss from other comprehensive income	**338**	905
Impairment transferred to profit or loss from other comprehensive income	**2,032**	1,835
Changes in liabilities for insurance and investment contracts arising from net unrealized (gains)/losses	**(9,608)**	8,173
Currency translation differences	**6**	11
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**(60)**	(144)
Others	**(48)**	–
Income tax relating to components of other comprehensive income	**(2,266)**	1,467
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	–
Total other comprehensive income for the year, net of tax	**6,751**	(4,388)
Total comprehensive income for the year	**21,311**	3,535
Total comprehensive income for the year attributable to:		
– Owners of the parent	**21,310**	3,534
– Non-controlling interests	**1**	1

NOTES:

1 GROSS WRITTEN PREMIUMS AND POLICY FEES

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Gross written premiums		
– Insurance contracts	**138,131**	122,286
Policy fees		
– Investment contracts	**40**	55
Gross written premiums and policy fees	**138,171**	122,341

2 INVESTMENT INCOME

Unit: RMB in millions

	For the year ended 31 December **2019**	2018
Held-to-maturity investments		
– Interest income	**10,296**	9,536
– Net realized gains	**–**	178
Available-for-sale financial assets		
– Interest income	**11,425**	10,479
– Dividend income	**5,422**	6,048
– Net realized gains	**(355)**	(840)
– Impairment losses on equity financial assets	**(2,032)**	(1,835)
Financial assets at fair value through profit or loss		
– Interest income	**197**	81
– Dividend income	**180**	187
– Fair value gains/(losses)	**2,647**	(379)
– Net realized gains/(losses)	**128**	(269)
Loans and receivables		
– Interest income	**2,993**	3,760
Interest income from bank deposits	**3,328**	2,797
Interest income from policy loans	**1,556**	1,368
Interest income from financial assets purchased under agreements to resell	**57**	72
Others	**–**	2
Total	**35,842**	31,185
Including:		
Investment income based on the effective interest method	**29,852**	28,093
Investment income from listed investments	**7,729**	1,574
Investment income from unlisted investments	**28,113**	29,611
Total	**35,842**	31,185

3 OTHER INCOME

Unit: RMB in millions

	For the year ended 31 December 2019	2018
Rental income from investment properties	**294**	251
Management fee income	**175**	161
Government grants[1]	**95**	31
Exchange gain	**40**	95
Others	**214**	239
Total	**818**	777

(1) According to the *Certain Measures on Supporting the Development of Financial Industries by Shenzhen* (Shenfugui [2017] No. 2), New China Pension Co., Ltd., the subsidiary of the Company, changed its place of incorporation to Shenzhen Qianhai Shenzhen- Hong Kong Cooperation Zone and received a one-off relocation award amounting to RMB50 million from Shenzhen government.

4 INSURANCE BENEFITS AND CLAIMS

Unit: RMB in millions

	For the year ended 31 December 2019	2018
Gross		
Claims and change in outstanding claims liabilities	**3,626**	2,571
Life insurance death and other benefits	**70,559**	81,840
Increase in long-term insurance liabilities	**53,187**	26,515
Total	**127,372**	110,926
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(186)**	(90)
Life insurance death and other benefits	**(887)**	(658)
Increase in long-term insurance liabilities	**(371)**	(336)
Total	**(1,444)**	(1,084)
Net		
Claims and change in outstanding claims liabilities	**3,440**	2,481
Life insurance death and other benefits	**69,672**	81,182
Increase in long-term insurance liabilities	**52,816**	26,179
Total	**125,928**	109,842

5 ADMINISTRATIVE EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Employee benefit expenses (including directors' emoluments)[1]	**9,852**	8,788
Depreciation and amortization	**1,161**	586
Operating lease expense	**452**	911
Entertainment fees	**419**	374
Travel and conference fees	**322**	324
Official fees	**304**	281
Insurance guarantee fund	**249**	229
Electronic equipment operating costs	**212**	163
Promotional printing cost	**169**	150
Postal fees	**135**	128
Advertising fees	**60**	75
Vehicle use fees	**27**	32
Auditors' remuneration fees	**22**	20
Less: Expenses recoverable from insurers	**(746)**	(593)
Others	**399**	500
Total	**13,037**	11,968

(1) Employee benefit expenses are presented below:

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Salary and welfare expenses	**7,589**	6,514
Social security costs – pension	**790**	844
Social security costs – other	**697**	700
Including:		
Supplementary defined contribution pension expense	**169**	201
Supplementary medical expense	**25**	20
Housing fund	**570**	503
Employee education and labor union fees	**206**	227
Total	**9,852**	8,788

6 OTHER EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Tax and surcharges	**192**	166
Depreciation and amortization	**229**	177
Reversal of provision for receivable from Tianhuan Real Estate	**–**	(41)
Others	**306**	262
Total	**727**	564

7 FINANCE COSTS

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Interest expenses for financial assets sold under agreements to repurchase	**810**	879
Interest expenses for the subordinated debts	**198**	224
Interest expenses for lease liabilities	**34**	–
Total	**1,042**	1,103

8 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

(1) The amount of income tax charged to the net profit represents:

Unit: RMB in millions

	For the year ended 31 December	
	2019	2018
Current tax	**(938)**	2,843
Deferred tax	**(401)**	(256)
Total income tax	**(1,339)**	2,587

(2) The reconciliation between the Group's effective tax rate and the mainly applicable tax rate of 25% in the PRC is as follows:

Unit: RMB in millions

	For the year ended 31 December 2019	2018
Profit before income tax	**13,221**	10,510
Tax computed at the statutory tax rate in China	**3,305**	2,628
Non-taxable income (i)	**(2,838)**	(2,059)
Expenses not deductible for tax purpose (i)	**94**	2,009
Effect of unrecognized deferred tax assets arising from deductible loss	**34**	28
Use of deductible tax losses of prior years	**–**	(4)
Adjustments in respect of current tax of previous periods	**(1,932)**	(12)
Effect of different tax rate of a subsidiary	**(2)**	(3)
Income tax computed at effective tax rate	**(1,339)**	2,587

(i) Non-taxable income mainly includes government bond interest income and stock dividend income. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expense, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

(3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Unit: RMB in millions

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2018	(1,581)	1,617	36
Charged to net profit	248	13	261
Charged to other comprehensive income	3,474	(2,007)	1,467
Charged to other reserve	–	13	13
As at 31 December 2018	2,141	(364)	1,777
As at 1 January 2019	2,141	(364)	1,777
Charged to net profit	(617)	(17)	(634)
Charged to other comprehensive income	(2,220)	1,259	(961)
Charged to other reserve	–	(20)	(20)
As at 31 December 2019	(696)	858	162
Net deferred tax liabilities			
As at 1 January 2018	–	(54)	(54)
Charged to net profit	1	(6)	(5)
Charged to other comprehensive income	–	–	–
As at 31 December 2018	1	(60)	(59)
As at 1 January 2019	1	(60)	(59)
Charged to net profit	131	904	1,035
Charged to other comprehensive income	(2,464)	1,159	(1,305)
Charged to other reserve	–	31	31
As at 31 December 2019	(2,332)	2,034	(298)

Unit: RMB in millions

	As at 31 December 2019	As at 31 December 2018
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**2,621**	3,194
– deferred tax assets to be recovered after 12 months	**932**	604
Subtotal	**3,553**	3,798
Deferred tax liabilities		
– deferred tax liabilities to be recovered within 12 months	**(2,958)**	(1,414)
– deferred tax liabilities to be recovered after 12 months	**(731)**	(666)
Subtotal	**(3,689)**	(2,080)
Total net deferred tax assets	**162**	1,777
Total net deferred tax liabilities	**(298)**	(59)

(4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The amount of deductible unused tax losses for which no deferred tax asset is recognized is as follows:

Unit: RMB in millions

	As at 31 December 2019	As at 31 December 2018
Deductible losses	**593**	524
Total	**593**	524

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2019 was RMB14,559 million (for the year ended 31 December 2018: RMB7,922 million) which is included in the consolidated financial statements of the Group.

10 EARNINGS PER SHARE

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	For the year ended 31 December	
	2019	2018
Net profit attributable to shareholders of the Company (RMB in millions)	**14,559**	7,922
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**4.67**	2.54

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2019 (for the year ended 31 December 2018: same).

11 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2019, a final dividend of RMB0.77 per ordinary share (inclusive of tax) totalling RMB2,402 million was declared.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED

As at 31 December 2019

Unit: RMB in millions

	As at 31 December	
	2019	2018
ASSETS		
Property, plant and equipment	**14,335**	11,794
Investment properties	**9,051**	7,044
Right-of-use assets	**1,152**	–
Intangible assets	**3,726**	3,665
Investments in associates and joint ventures	**4,917**	4,792
Debt financial assets	**550,539**	459,902
– Held-to-maturity	**246,212**	214,531
– Available-for-sale	**244,931**	191,773
– At fair value through profit or loss	**9,962**	3,089
– Loans and receivables	**49,434**	50,509
Equity financial assets	**156,957**	116,058
– Available-for-sale	**142,365**	109,176
– At fair value through profit or loss	**14,592**	6,882
Term deposits	**64,040**	64,690
Statutory deposits	**1,715**	1,715
Policy loans	**35,148**	31,327
Financial assets purchased under agreements to resell	**5,685**	4,318
Accrued investment income	**8,681**	8,019
Premiums receivable	**2,233**	2,307
Deferred tax assets	**162**	1,777
Reinsurance assets	**3,028**	2,691
Other assets	**5,836**	4,825
Cash and cash equivalents	**11,765**	9,005
Total assets	**878,970**	733,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED (CONTINUED)

As at 31 December 2019

Unit: RMB in millions

	As at 31 December	
	2019	2018
LIABILITIES AND EQUITY		
Liabilities		
Insurance contracts		
Long-term insurance contract liabilities	**654,478**	591,751
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,611**	1,064
– Unearned premiums liabilities	**2,102**	1,805
Investment contracts	**46,518**	40,492
Borrowings	**–**	4,000
Lease liabilities	**961**	–
Financial liabilities at fair value through profit or loss	**501**	92
Financial assets sold under agreements to repurchase	**68,190**	12,959
Benefits, claims and surrenders payable	**5,704**	5,318
Premiums received in advance	**4,181**	1,808
Reinsurance liabilities	**220**	462
Provisions	**29**	29
Other liabilities	**9,559**	7,242
Current income tax liabilities	**157**	1,252
Deferred tax liabilities	**298**	59
Total liabilities	**794,509**	668,333
Shareholders' equity		
Share capital	**3,120**	3,120
Reserves	**41,254**	31,056
Retained earnings	**40,077**	31,411
Equity attributable to owners of the parent	**84,451**	65,587
Non-controlling interests	**10**	9
Total equity	**84,461**	65,596
Total liabilities and equity	**878,970**	733,929

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – AUDITED

For the year ended 31 December 2019

Unit: RMB in millions

	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended 31 December 2018						
As at 1 January 2018	3,120	33,395	27,200	63,715	8	63,723
Net profit for the year	–	–	7,922	7,922	1	7,923
Other comprehensive income	–	(4,388)	–	(4,388)	–	(4,388)
Total comprehensive income	–	(4,388)	7,922	3,534	1	3,535
Others	–	(40)	–	(40)	–	(40)
Dividends paid	–	–	(1,622)	(1,622)	–	(1,622)
Appropriation to reserves	–	2,089	(2,089)	–	–	–
Total transactions with owners	–	2,089	(3,711)	(1,622)	–	(1,622)
As at 31 December 2018	3,120	31,056	31,411	65,587	9	65,596
For the year ended 31 December 2019						
As at 1 January 2019	**3,120**	**31,056**	**31,411**	**65,587**	**9**	**65,596**
Net profit for the year	**–**	**–**	**14,559**	**14,559**	**1**	**14,560**
Other comprehensive income	**–**	**6,751**	**–**	**6,751**	**–**	**6,751**
Total comprehensive income	**–**	**6,751**	**14,559**	**21,310**	**1**	**21,311**
Others	**–**	**(44)**	**–**	**(44)**	**–**	**(44)**
Dividends paid	**–**	**–**	**(2,402)**	**(2,402)**	**–**	**(2,402)**
Appropriation to reserves	**–**	**3,491**	**(3,491)**	**–**	**–**	**–**
Total transactions with owners	**–**	**3,491**	**(5,893)**	**(2,402)**	**–**	**(2,402)**
As at 31 December 2019	**3,120**	**41,254**	**40,077**	**84,451**	**10**	**84,461**

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED
For the year ended 31 December 2019

Unit: RMB in millions

	For the year ended 31 December 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**13,221**	10,510
Adjustments for:		
Investment income	**(35,842)**	(31,185)
Finance costs	**1,042**	1,103
Net change in outstanding claims liabilities	**519**	243
Net change in unearned premiums liabilities	**301**	407
Increase in long-term insurance contract liabilities	**52,816**	26,179
Investment contract benefits	**1,736**	1,544
Policy fees	**(40)**	(55)
Depreciation and amortization	**913**	763
Impairment losses on other receivables	**4**	(38)
Losses on disposal of property, plant and equipment	**8**	3
Changes in operational assets and liabilities:		
Receivables and payables	**3,314**	1,918
Investment contracts	**4,267**	5,319
Income tax paid	**(157)**	(2,943)
Net cash flows from operating activities	**42,102**	13,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**18,806**	24,866
Proceeds from maturities of debt financial assets	**55,160**	32,076
Proceeds from sales of equity financial assets	**95,681**	95,482
Purchases of financial assets investments		
Purchase of debt financial assets	**(161,735)**	(50,378)
Purchase of equity financial assets	**(118,498)**	(101,249)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**41**	2
Purchase of property, plant and equipment, intangible assets and other assets	**(5,042)**	(7,806)
Interests received	**29,353**	26,966
Dividends received	**5,573**	6,183
Term deposits, net	**650**	(22,881)
Financial assets purchased under agreements to resell, net	**(1,460)**	(1,446)
Others	**(4,165)**	(5,061)
Net cash flows from investing activities	**(85,636)**	(3,246)

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED (CONTINUED)

For the year ended 31 December 2019

Unit: RMB in millions

	For the year ended 31 December 2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings repaid	**(4,000)**	–
Interests and dividends paid	**(2,543)**	(1,793)
Acquisition of non-controlling interests	**326**	115
Financial assets sold under agreements to repurchase, net	**53,026**	(8,760)
Others	**(546)**	(5)
Net cash flows from financing activities	**46,263**	(10,443)
Effect of foreign exchange rate changes	**31**	114
Net increase/(decrease) in cash and cash equivalents	**2,760**	193
Cash and cash equivalents		
Beginning of the year	**9,005**	8,812
End of the year	**11,765**	9,005
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**11,765**	9,005
Total of cash and cash equivalents	**11,765**	9,005

SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) ***Individual insurance business***

Individual insurance business relates primarily to the sale of insurance contracts and investment contracts to individuals.

(ii) ***Group insurance business***

Group insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities.

(iii) ***Other business***

Other business relates primarily to the Group's asset management and unallocated income and expenses.

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment contract liabilities at the beginning and end of the accounting period. Non-operating income and expenses are not allocated but assigned to other business operating segments directly.

(3) Allocation basis of assets and liabilities

Insurance business assets and liabilities directly attributable to operating segments will be allocated to each segment; investment assets and liabilities indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's insurance contract liabilities and investment contract liabilities at the end of the accounting period. Statutory deposits, investment properties, property, plant and equipment, intangible assets, other assets, borrowings, provision, deferred tax assets, deferred tax liabilities and current income tax liabilities are not allocated but assigned to other business operating segments directly.

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue

Substantially all of the Group's revenues are derived from its operations in the PRC. Substantially all of the Group's assets are located in the PRC.

For the year ended 31 December 2019, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

(5) The transfer prices among operating segments are determined at fair value with reference to transactions with third parties

Unit: RMB in millions

	For the year ended 31 December 2019				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	135,577	2,594	–	–	138,171
Less: premiums ceded out	(2,395)	(32)	–	–	(2,427)
Net written premiums and policy fees	133,182	2,562	–	–	135,744
Net change in unearned premiums liabilities	(181)	(120)	–	–	(301)
Net premiums earned and policy fees	133,001	2,442	–	–	135,443
Investment income	35,192	370	353	(73)	35,842
Including: inter-segment revenue	28	–	45	(73)	–
Other income	484	10	1,128	(804)	818
Including: inter-segment revenue	26	1	777	(804)	–
Total revenues	168,677	2,822	1,481	(877)	172,103
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,555)	(1,885)	–	–	(3,440)
Life insurance death and other benefits	(69,525)	(147)	–	–	(69,672)
Increase in long-term insurance contract liabilities	(52,750)	(66)	–	–	(52,816)
Policyholder dividends resulting from participation in profits	(42)	–	–	–	(42)
Investment contract benefits	(1,698)	(38)	–	–	(1,736)
Commission and brokerage expenses	(16,359)	(513)	–	–	(16,872)
Administrative expenses	(11,868)	(957)	(989)	777	(13,037)
Including: inter-segment expenses	(703)	(54)	(20)	777	–
Other expenses	(265)	(6)	(484)	28	(727)
Including: inter-segment expense	–	–	(28)	28	–
Total benefits, claims and expenses	(154,062)	(3,612)	(1,473)	805	(158,342)
Share of results of associates and joint ventures	437	5	60	–	502
Finance costs	(1,020)	(22)	–	–	(1,042)
Net profit before income tax	14,032	(807)	68	(72)	13,221
Segment assets	826,545	8,418	44,280	(273)	878,970
Segment liabilities	780,976	6,686	7,120	(273)	794,509

Other segment information for the year ended 31 December 2019:

Unit: RMB in millions

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	5,042	–	5,042
Depreciation and amortization	(1,198)	(94)	(98)	–	(1,390)
Interest income	29,257	311	312	(28)	29,852
Impairment	(2,017)	(18)	(1)	–	(2,036)
Share of results of associates and joint ventures	437	5	60	–	502

Unit: RMB in millions

	For the year ended 31 December 2018				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	120,014	2,327	–	–	122,341
Less: premiums ceded out	(1,789)	(143)	–	–	(1,932)
Net written premiums and policy fees	118,225	2,184	–	–	120,409
Net change in unearned premiums liabilities	(392)	(15)	–	–	(407)
Net premiums earned and policy fees	117,833	2,169	–	–	120,002
Investment income	30,751	301	84	49	31,185
Including: inter-segment revenue	(45)	(4)	–	49	–
Other income	521	12	798	(554)	777
Including: inter-segment revenue	14	1	539	(554)	–
Total revenues	149,105	2,482	882	(505)	151,964
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,102)	(1,379)	–	–	(2,481)
Life insurance death and other benefits	(81,037)	(145)	–	–	(81,182)
Increase in long-term insurance contract liabilities	(26,138)	(41)	–	–	(26,179)
Policyholder dividends resulting from participation in profits	(126)	–	–	–	(126)
Investment contract benefits	(1,385)	(159)	–	–	(1,544)
Commission and brokerage expenses	(16,327)	(384)	–	–	(16,711)
Administrative expenses	(10,809)	(1,075)	(616)	532	(11,968)
Including: inter-segment expenses	(466)	(47)	(19)	532	–
Other expenses	(174)	(21)	(390)	21	(564)
Including: inter-segment expense	–	–	(21)	21	–
Total benefits, claims and expenses	(137,098)	(3,204)	(1,006)	553	(140,755)
Share of results of associates and joint ventures	400	4	–	–	404
Finance costs	(990)	(113)	–	–	(1,103)
Net profit before income tax	11,417	(831)	(124)	48	10,510
Segment assets	688,755	6,850	38,387	(63)	733,929
Segment liabilities	653,705	5,746	8,945	(63)	668,333

Other segment information for the year ended 31 December 2018:

Unit: RMB in millions

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	7,806	–	7,806
Depreciation and amortization	(660)	(67)	(36)	–	(763)
Interest income	27,683	271	104	35	28,093
Impairment	(1,777)	(20)	–	–	(1,797)
Share of results of associates and joint ventures	400	4	–	–	404

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the "**IASB**"). The consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value and insurance contract liabilities measured based on actuarial methods.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise professional judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes to the Group's consolidated financial statements.

All IFRSs that remain in effect which are relevant to the Group have been applied.

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019

Standards/Amendments	**Content**
IFRS 16	*Leases*
IAS 19 Amendments	*Plan Amendment, Curtailment or Settlement*
IAS 28 Amendments	*Long-term Interests in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

IFRS 16 – Leases

IFRS 16 replaces IAS 17 Leases, IFRIC Interpretation 4 ("**IFRIC-Int 4**") *Determining whether an Arrangement contains a Lease*, SIC Interpretation 15 *Operating Leases – Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

(i) New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate ("**IBR**") at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. The Group has no lease assets recognized previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the recognition exemptions to leases with low value and the short-term leases with a lease term that ends within 12 months from the date of initial application;

- Applying a single discount rate to leases with the same remaining maturity period;

- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application;

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;

- Relying on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group adjusted the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application.

- Carrying out accounting treatment according to the final arrangement of lease change and the new lease standard for the lease change before the date of initial application.

(iii) Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease)
Assets	
Increase in right-of-use assets	**1,050**
Decrease in other assets	**(158)**
Increase in total assets	**892**
Liabilities	
Increase in lease liabilities	**892**
Increase in total liabilities	**892**
Effect on retained earnings	**–**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

Operating lease commitments as at 31 December 2018	1,097
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(35)
Weighted average IBR as at 1 January 2019	3.898%
Lease liabilities as at 1 January 2019	892

IAS 19 Amendments – Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. The amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income. The amendments did not have any impact on the Group's consolidated financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

IAS 28 Amendments – Long-Term Interest in Associates and Joint Ventures

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at equity method in accordance with IAS 28. Accordingly, the amendments did not have any impact on the Group's consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's consolidated financial statements.

Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Annual Improvements 2015-2017 Cycle sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. Details of the amendments as follows:

IFRS 3 *Business Combinations* clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The Group has had no joint operation and therefore, the amendments are not applicable to the Group's consolidated financial statements.

IFRS 11 *Joint Arrangements* clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation. The Group has had no joint operation and therefore, the amendments are not applicable to the Group's consolidated financial statements.

IAS 12 *Income Taxes* clarifies that an entity recognizes all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's consolidated financial statements.

IAS 23 *Borrowing Costs* clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's consolidated financial statements.

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group

Standards/Amendments	Content
IFRS 9	*Financial Instruments*
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together all phases of the financial instruments project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's consolidated financial statements.

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of a business model (hold to collect contractual cash flows, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss ("**FVTPL**"), based on their respective business models. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of the business model.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale financial assets being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("**OCI**"). Should the Group elect to record equity investments at FVOCI, gains and losses would never be recognized in income except for the received dividends not representing a recovery of part of the investment cost.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impacts.

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

The Group performed an assessment of the amendments, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reasons that:

(i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;

(ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Since 31 December 2015, there has been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities since 1 January 2018.

The associates of the Group, China Jinmao Holdings Group Limited ("**China Jinmao**") and New China Capital International Management Limited ("**New China Capital International**"), adopted Hong Kong Financial Reporting Standard 9 Financial Instruments or IFRS 9 Financial instruments for the financial year beginning on 1 January 2018. The Group elected not to make adjustments for the consistency with accounting policies when using the equity method.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2019 and 31 December 2018:

	Fair value as at 31 December 2019	Fair value as at 31 December 2018
Held for trading financial assets (A)	**23,180**	9,971
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**1,374**	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**") (C)	**455,930**	373,821
– Financial assets with contractual terms that do not meet SPPI terms (D)	**246,302**	207,216
Total	**726,786**	591,008

Note: Only including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables. All other financial assets held by the Group are financial assets that meet SPPI terms.

The table below presents the fair value changes for the year ended 31 December 2019 and 2018:

	Fair value changes for the year ended 31 December	
	2019	2018
Held for trading financial assets (A)	**1,508**	(604)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**1,374**	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**") (C)	**4,596**	17,443
– Financial assets with contractual terms that do not meet SPPI terms (D)	**16,771**	(17,117)
Total	**24,249**	(278)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2019**	Carrying amount as at 31 December 2018
AAA	**435,321**	352,935
AA+	**3,872**	5,941
AA	**2,100**	2,258
Total	**441,293**	361,134

For the overseas bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2019**	Carrying amount as at 31 December 2018
Baa1	**16**	–
Baa2	**763**	649
Baa3	**106**	–
Total	**885**	649

	As at 31 December 2019	
	Carrying amount	**Fair value**
Financial assets that do not have low credit risk *(Note)*	**5,972**	**5,989**

	As at 31 December 2018	
	Carrying amount	Fair value
Financial assets that do not have low credit risk *(Note)*	8,199	8,221

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortized cost or at fair value through other comprehensive income, rather than at fair value through profit of loss. The amendments clarify that a financial asset passes the "**solely payments of principal and interest on the principal amount outstanding**" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments did not apply to the Group as the Group did not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognized in profit or loss. IFRS 9 Amendments is effective for the annual periods beginning on or after 1 January 2019. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2019

Standards/Amendments	**Content**	**Effective for annual periods beginning on or after**
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Note

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Besides the following new accounting standards and amendments, others have no impact on the Group's consolidated financial statements.

IFRS 9, IAS 39 and IFRS 7 Amendments

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

IFRS 17 – Insurance Contracts

IFRS 17 *Insurance Contracts*, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS17 is effectively for reporting period beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS9 and IFRS15 on or before the date it first applies IFRS17. The IASB has completed its discussions on the amendments to IFRS17 that were proposed for public consultation in June 2019. The IASB has decided that the effective date of IFRS17 will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS9 to enable them to implement both IFRS9 and IFRS17 at the same time. The IASB expect to issue the amendments to IFRS17 in the second quarter of 2020. The Group is currently assessing the impact of the standard upon adoption.

SUBSEQUENT EVENTS

(1) Dividend

In accordance with the profit distribution plan for the year 2019 approved by the Board on 25 March 2020, with the appropriation to its discretionary surplus reserve of RMB1,346 million (10% of the net profit of the parent company for 2019), the Company proposed to distribute cash dividends amounting to RMB4,399 million to all shareholders of the Company at RMB1.41 per share (inclusive of tax). The profit distribution plan is subject to the approval by the Annual General Meeting of 2019.

(2) Assessment on the Impact of the Coronavirus Outbreak

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19") began in January 2020 across the country, the prevention and control of COVID-19 has been going on throughout the country. The Group has strictly implemented the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's Bank of China, the Ministry of Finance, the CBIRC, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthened financial support for the pandemic prevention and control.

The COVID-19 has certain impacts on Hubei province and the overall economy of the country. This may temporarily affect the insurance business operation and the quality or the yields of the investment assets of the Company, and the degree of the impact depends on the situation of the duration of the pandemic, the implementation of regulatory policies and the progress in prevention and control of COVID-19 in the whole country.

The Group will keep continuous attention on the situation of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Company.

(3) Issuance of Capital Supplementary Bonds

On 28 April 2017, the Company's first extraordinary general meeting of shareholders in 2017 considered and approved the Proposal on the Domestic Debt Financing Scheme of the Company. On 19 December 2019, the Company's fifth meeting of the seventh session of the Board approved the Proposal on the Issuance of Domestic Capital Supplementary Bonds of the Company. The Company intends to issue 10-year redeemable capital supplementary bonds in the national inter-bank bond market, with the amount not exceeding RMB10,000 million. The issuance of debt financing instruments was approved by the CBIRC on 15 January 2020, and is subject to the approval of the People's Bank of China and other regulatory authorities.

REVIEW OF ANNUAL RESULTS

The Audit and Related Party Transaction Control Committee of the Board of the Company has reviewed the annual results of the Company for the year ended 31 December 2019. Ernst & Young, the external auditor of the Company, has audited the Company's consolidated financial statements for the year ended 31 December 2019.

The announcement of annual results is based on the Group's audited consolidated financial statements for the year ended 31 December 2019 as agreed with the auditor of the Company.

The announcement of annual results is written in both Chinese and English. The Chinese version shall prevail where there is any in consistency between the Chinese version and the English version.

PUBLICATION OF ANNUAL REPORT

The Company's Annual Report 2019 will be published on the Company's website (www.newchinalife.com) and the HKEX news website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
New China Life Insurance Company Ltd.
LIU Haoling
Chairman

Beijing, China, 25 March 2020

As at the date of this announcement, the chairman and non-executive director of the Company is LIU Haoling, the executive directors are LI Quan and LI Zongjian; the non-executive directors are XIONG Lianhua, YANG Yi, GUO Ruixiang, HU Aimin, LI Qiqiang, PENG Yulong and Edouard SCHMID; and the independent non-executive directors are LI Xianglu, ZHENG Wei, CHENG Lie, GENG Jianxin and MA Yiu Tim.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meaning set out below:

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
CBIRC	China Banking and Insurance Regulatory Commission
CBIRC Beijing Bureau	China Banking and Insurance Regulatory Commission Beijing Bureau
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Articles of Association	The Articles of Association of New China Life Insurance Company Ltd.
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Pt	Percentage points
RMB	Renminbi